



Page 1 of 4

North Carolina Department of Human Resources
Office of the Controller

616 Oberlin Road • Raleigh, North Carolina 27605
Courier # 56-20-01

James B. Hunt, Jr., Governor
Controller
H. David Bruton, M.D., Secretary

Joyce H. Johnson,
(919) 733-0169

July 21, 1997

MEMORANDUM

TO: Area Program Area Directors, Finance Officers and Pioneer Coordinators

FROM: Tom Washburn, Chief
Cost Accounting/Financial Reporting

RE: Additional information on Documentation
Requirements for Cost Finding

Our office has had a number of questions regarding the additional requirements for documentation requirements for staff time outlined in recent Medicaid Communiqués. Because each area program is organized differently and since each accounting and MIS system has its own capabilities and limitations, there is not one answer on what is the best way to meet these requirements and also to meet your understandable desire to implement these requirements in the most efficient manner possible with the least additional burden on staff. Failure to meet the requirements are simply not an option available to us without seriously jeopardizing Medicaid revenues.

The attached sheets outline some of the methodologies you may wish to implement which will meet the requirements of being documentation and auditability.

encl.

cc: Joyce Johnson
John Baggett
Lynn Stelle

Washburn.doc

Supplemental Information on Documentation of Staff Time for Cost Finding

Effective for Area Program Cost Findings for Years Beginning July 1, 1997

Time Documentation:

- I. Staff works 100% in single Service Objective within a single expense center (Resid'l, Day Tx, Etc.) which is not documented by direct service reporting (outpatient, Case management, etc.). No time sheets are necessary for 100% direct charged employee, however, OMB circular A-87 states that direct charges for salaries and wages are to be supported by periodic certifications that the employee(s) worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. A certification form developed by DHR is attached.
- II. Staff works in more than one service objective (e.g. Resid'l, Day Tx, Etc.) which is not documented by direct service reporting (e.g. outpatient, Case management, etc.).
 - A. Area set-up internal service codes for each service objective and employee's time would be reported to MIS System on Service Activity Log (SAL) so that employee's time could be accumulated and subsequently distributed for Cost finding. SAL could be maintained by facility (by day) or by individual (by month or by week). The internal service codes could be established by broad service objective category (Group Living-High, Day Tx, Etc.) or by more specific facility codes (XYZ Group Home, WM Day Tx, Etc) which would relate to specific service objectives to be used for cost finding.
 - B. Time Sheets that document time in each service objective and which are subsequently posted to payroll distributions.
 - C. Time sheets which would have to be summarized manually for cost finding distribution purposes, but which are not used for payroll distribution purposes.
- III. Variation: Developmental Day Care: In Developmental Day Care Centers where staff are performing High Risk Intervention services (periodic), Hours for this service may be accumulated and subtracted from the lesser of the hours the Developmental Day Center was open for services or the total hours the staff person was "on duty" at the developmental center.

Internal Management/Support Time:

Definition: Internal Management/Support is time spent by individuals not classified in Area Administration or General & Support, supervising staff (administrative or clinical), time spend in overall program planning, direction, managing. IM/S should apply only to individuals with management responsibilities as documented on the area's organizational chart, in their job description, work plan, etc. IM/S is for the time spend disseminating information or directing activities; not receiving information or direction. It includes providing individual or group supervision, training of new staff, co-signing clinical work for staff under their supervision and conducting staff meetings when done as part of the identified management function. It does NOT include case staffings because all participants are considered equals with a free exchange of information with no particular disseminator of information or direction.

NOTE: It is important to identify and separate Internal Management/Support time from Direct Service time to keep from overstating direct service time and therefore effectively reducing the area's Pioneer rate.

Staff works in one or more service objectives in which time can be distributed based on direct service reporting but has Internal Management/Support responsibilities.

CASE #1 (Easy): Bill works in Periodic Services. Internal Management has been determined as taking 20% of Bill's time. MIS reports 600 Hrs Outpatient Clinical and 200 Hrs Case Management.

NOTE: If IM/S time is determined to be reasonably in proportion to direct service time provided within a particular service objective, no special documentation is required; accuracy is important in that it will effect only expected units and therefore Pioneer rates but will not effect total costs for the service objective.

Internal Management is charged with 20% of Bill's salary and fringe benefits;
 Outpatient Clinical is 75% of remaining 80% or
 $80\% \times [600 \text{ Hrs} / (600 \text{ Hrs} + 200 \text{ Hrs})] = 75\% = 60\%;$
 Case Management is 25% of remaining 80% or
 $80\% \times [200 \text{ Hrs} / (600 \text{ Hrs} + 200 \text{ Hrs})] = 25\% = 20\%$
 thereby accounting for 100% of Bill's time.

Internal Management	20%
Outpatient Clinical	60%
Case Management	20%
Total of Bill's time charged	100%

Unless Internal Management NEEDS to be distributed to service objectives in a proportion that is different from the allocation based on Direct Service Hours for the Expense Center, no special time reporting is required. If IM/S needs to be assigned differently, the salary should be split (80-20) between the direct and IM/S services sections of Schedule 1 and the IM/S time should be assigned directly to the correct Service Objective(s).

CASE #2 (Harder): Mary works in periodic Services but does spend one day a week as Internal Management/Support in the area programs Day Program. Because of restrictions by the County Payroll System, a salary distribution cannot be made which would charge 20% of Mary's salary to the program. The area will have to create an audible record to substantiate Mary's time in the Day Program.

1. If a staff log is maintained at the Day Program, this would document the time Mary spent in the program. This could be automated by having the staff log entered into the MIS system so the 20% time Mary spent would be shown on the annual time summaries. -OR-
2. An internal code for IM/S could be established for each service objective where this occurs. Mary would periodically turn in a SAL showing the time spent in the program. -OR-
3. Mary would keep a time sheet showing time spent in the Day program which would have to be manually summarized.

Full-Time Equivalent for Individuals Working Overtime:

Overtime hours should be included when figuring and distributing salaries. An individual working 105 hours overtime in a position where normal annual hours are considered to be 2100 would result in their being 1.05 FTE which would then be distributed on Schedule 1. FTE calculations for partial-year overtime employees would have to be figured accordingly. Individuals earning only comp-time rather than overtime require no special considerations. In cases where clinicians receive some type of incentive premium and/or comp time for emergency services coverage hours, the incentive pay should be added to their regular salary and the FTE will be derived as follows:

Calculation of Full-Time Equivalent for On-Call Employees

An Equal Opportunity / Affirmative Action Employer

Psychologist Joe makes \$ 42,000 annually plus \$ 50/night and 4 hours each for 50 nights "On-Call" totaling \$ 44,500; Available Hours are deemed to be 1700 for the facility.

Clinical time = 1700 Less (4 Hrs x 50 days)/1700 = 1500/1700 = .88 FTE

Note: Earnings thru clinical = \$ 42,000 x .88 FTE = \$ 36,960 @ \$ 24.70/Hr

Emergency time:

Emergency Earnings = Total Earnings less clinical earnings =

\$ 44,500 - \$ 36,960 = \$ 7,540

Emergency FTE = (Emergency Earnings divided by rate) divided by Available Hours

= \$ 7,540 / \$ 24.70 / 1700 = .18 FTE

Total FTE = .88 regular clinical + .18 Emergency = 1.06 FTE

Sal_Doc.doc